GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:922
ANSWERED ON:28.07.2000
FOREIGN INVESTMENT
A. KRISHNASWAMY;RAJIV PRATAP RUDY

Will the Minister of FINANCE be pleased to state:

(a) whether the BOP figures in the Reserve Bank of India`s annual report for 1998-99 indicates that outflow of funds on investment income was $3.5 billion as against a new inflow of $ 2.4 billion of foreign investment;

(b) whether in such a way India is already repatriating more money by the way of profits than she is receiving adding adversely to the balance of payment;

(c) if so, the reasons and justification thereof; and

(d) the steps taken by the Government in this regard?

Answer

Minister of State in the Ministry of Finance (Balasaheb Vikhe Patil)

(a), (b), (c) & (d): Investment income payments published under the India`s balance of payments in the Reserve Bank of India annual report for 1998-99 include interest payments apart from profit and dividend payments. As debt-creating flows have been major source of capital inflows to finance the current account deficit over a period of time, interest payments constitute the major portion of investment income payments. Payment of dividends and profits is directly contingent on foreign investment inflows into the country, which is a recent phenomenon.

During 1998-99, dividend and profit payments amounted to US $ 658 million as against those of interest payments of US $ 4767 million. During 1998-99,US $ 658 million as payments of dividend and profit was much lower as compared with net foreign investment inflows of US $ 2412 million.